

**INTERNATIONAL ACADEMY OF TRENTON  
CHARTER SCHOOL**

**Board of Trustees  
International Academy of Trenton  
Charter School  
Trenton, New Jersey**

**Comprehensive Annual Financial Report  
For the 18-Month Period Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**INTERNATIONAL ACADEMY OF TRENTON  
CHARTER SCHOOL**

**Trenton, New Jersey**

**For the 18-Month Period Ended June 30, 2015**

**Prepared by  
International Academy of Trenton  
Charter School  
Finance Department**

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INTRODUCTORY SECTION



International Academy  
of Trenton Charter School

November 10, 2015

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
Trenton, New Jersey

Dear Board Members:

The comprehensive annual financial report of the International Academy of Trenton Charter School (the "Charter School") for the 18-month period ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the Charter School's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the Charter School, generally presented on a multi- year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

The International Academy of Trenton Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. The International Academy of Trenton Charter School constitutes the Charter School's reporting entity.

The Honorable President and Members  
of the Board of Trustees  
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1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

The mission of the International Academy of Trenton Charter School is to show mastery of a standards driven, international, college preparatory curriculum, delivered through proven, research based instruction. Students will develop positive values and social behaviors through a nurturing school climate and student culture activities. We will accomplish this mission by providing any child who enrolls in our school regardless of his or her background, socio-economic status, prior academic experience, or other factors with a world-class and proven college-preparatory public education in a student centered setting that emphasizes community, civic responsibility, and personal development as well as academic rigor.

The Charter School completed the 2014-2015 period; its first year of operation, with an enrollment of 353 students.

2) ECONOMIC CONDITION AND OUTLOOK:

Enrollment at the Charter School in 2014-15 was 353 students, and is projected to increase to 450 students in 2015-16 and 698 students by 2017-18. We continue to monitor legislation in Trenton through the Charter Public School Association that would affect Charter funding – specifically facilities cost aid and health and pension reforms.

3) MAJOR INITIATIVES:

- **Standards-Driven Curriculum with Clear Student Learning Objectives (SLOs):** Our school will implement standards-driven curriculum that contains clearly defined student-learning objectives aligned to the NJ Performance Framework at both the grade level and content level. Our curriculum will be aligned with the Common Core State Standards and the New Jersey Core Curriculum Content Standards (CCCS), as well as with International standards. Our curriculum will not only ensure students are prepared for success in college but life beyond college as well.
- **International Theme:** The curriculum, textbooks, world language program, staff development, academic and community partnerships, and global perspective will drive the international theme. The school curriculum is not just based on state and federal standards in the U.S., but it is influenced by international standards and teachings.
- **Data-Driven Culture:** At our school, data will drive every decision we make, whether it is big or small. We will use data to drive high expectations, focus in on accountability, and measure performance. Data will be constantly gathered and analyzed to look at performance school-wide, at the grade level, at the individual classroom, and at the student level. It will be used to focus on improving teachers, learning, culture, and climate.
- **Clear goals, high expectations, and strong accountability for performance:** Our staff, students, and parents will know and support our goals and our expectations. Stakeholders across all levels of the school will be held accountable for high student performance—from the school director to the classroom teacher and all other staff in between.

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
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November 10, 2015

### 3) MAJOR INITIATIVES: (Cont'd)

- **Effective Assessment & Intervention Strategies:** At our school, weekly assessment will be a key factor to improving student performance. Our assessments will drive classroom instruction, professional development, intervention, and enrichment. We will utilize various intervention strategies such as teacher tutoring and peer tutoring through student prefects, etc.
- **Research-based Effective Instructional Methods:** Teachers at our school will implement research-based, instructional methods. Teachers will receive extensive, job-embedded professional development concerning instructional delivery and class management techniques.
- **Intentional Use of Time:** Our school will maximize every minute within an already longer school day than in the local district schools. We understand that the efficient use of time is an extremely important driver of school success. Accordingly, we have created a school schedule that is very intentional and focuses heavily on ensuring students are proficient in reading and math in the lower grades. Students will have seven to ten periods of both English language arts and math each week in addition to other subjects.
- **Student Life Organization:** Our school will have a student life organization, which will be an integral part of our educational model and an important part of every school day. Emphasizing the acquisition of “life skills” through real-life experiences, the SABIS Student Life Organization® is a student-led society that empowers pupils to hold real responsibility for many aspects of school life.
- **Home-to-school links:** We will encourage meaningful parent/guardian involvement and establish strong partnerships with a wide range of agencies that provide social, emotional, educational, and practical support for students.

### 4) INTERNAL ACCOUNTING CONTROLS:

Management of the Charter School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the Charter School also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the Charter School has complied with applicable laws, regulations, contracts and grants.

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
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November 10, 2015

#### 5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service Funds. Project length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the period is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2015.

#### 6) ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

#### 7) CASH MANAGEMENT:

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The Charter School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

#### 8) RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of the Charter School's insurance coverage is found on Exhibit J-20.

#### 9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Trustees at its organization meeting.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
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November 10, 2015

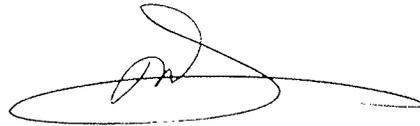
10) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Board of Trustees of the International Academy of Trenton Charter School for their concern in providing fiscal accountability to the citizens and participating districts of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.



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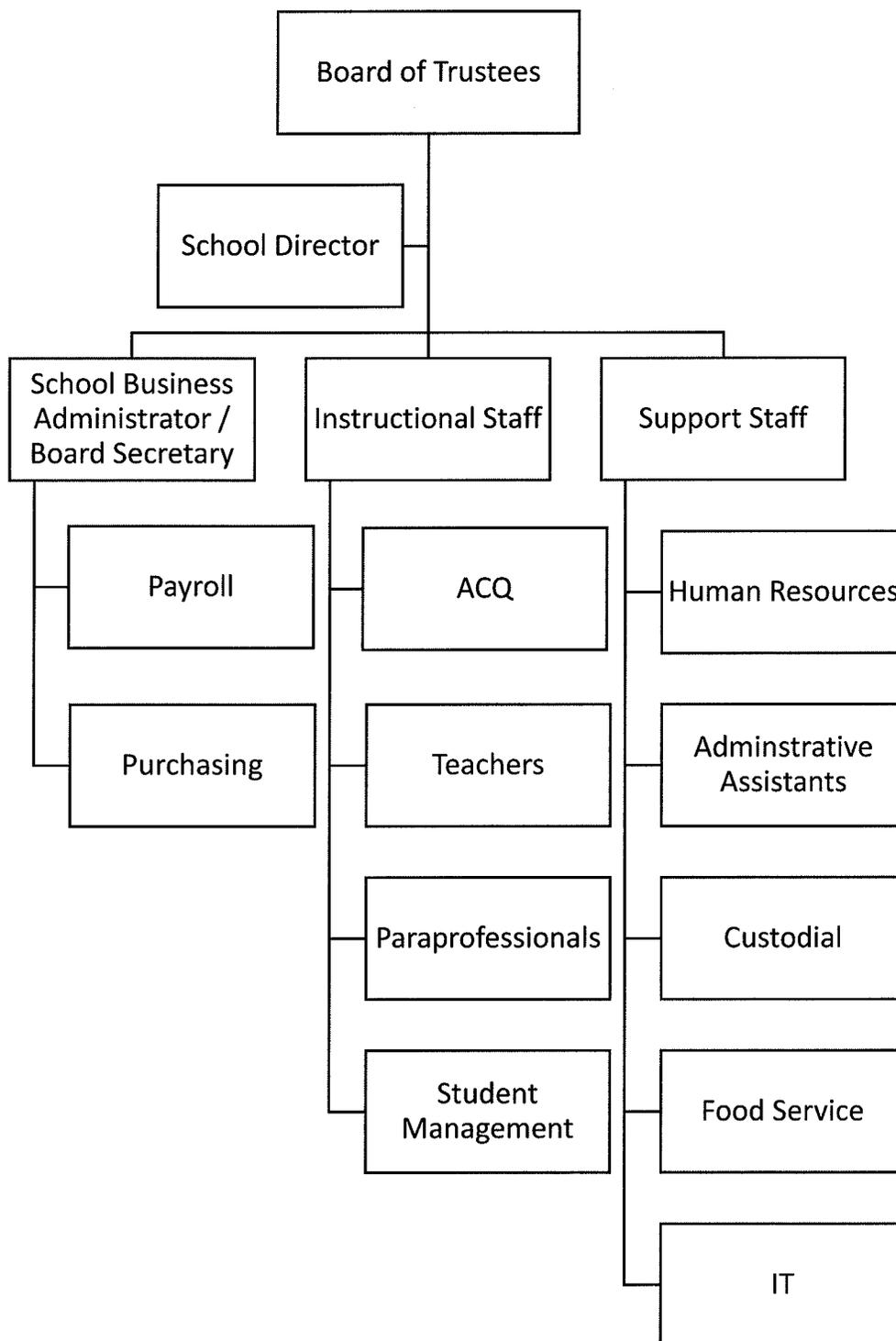
Taneisha Spall  
School Director



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Michael Falkowski  
Business Administrator/Board Secretary

# INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL ORGANIZATIONAL CHART



INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
 ROSTER OF OFFICIALS  
 JUNE 30, 2015

<u>Board of Trustees</u>	<u>Position</u>	<u>Expiration of Term</u>
Larry Chenault	President	September 2017
Cheng Hseih	Vice President	September 2017
Dr. William Maddox	Treasurer	September 2017
Christopher Emigholz	Member	September 2017
Dr. Darrell Jackson	Member	September 2017
Dr. Audrey Miller	Member	September 2017
Terron Simmons	Member	September 2017
<u>Other Officials</u>	<u>Title</u>	
Taneisha Spall	School Director	
Michael Falkowski	Business Administrator/Board Secretary	

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
CONSULTANTS AND ADVISORS

**Audit Firm**

**Nisivoccia LLP**

Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ, 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Attorney**

**Copehart Scatchard**

8000 Midlantic Drive, Suite 3005  
PO Box 5016  
Mount Laurel, NJ 08054

**Official Depository**

**PNC Bank**

Two Tower Center Boulevard, 21<sup>st</sup> Floor  
East Brunswick, NJ 08816

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Trustees  
 International Academy of Trenton Charter School  
 County of Mercer, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the International Academy of Trenton Charter School (the "Charter School") in the County of Mercer, as of and for the 18-month period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the International Academy of Trenton Charter School, in the County of Mercer, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the 18-month period then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

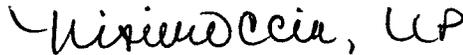
The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
Page 3

*Other Information*

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

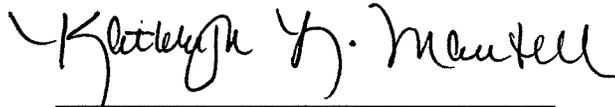
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



November 10, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

This section of International Academy of Trenton Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

### Financial Highlights

- The 18-month period ending June 30, 2015 was the Charter School's first period of operations.
- The Charter School's net position was \$1,142,061 as of June 30, 2015.
- Overall revenue was \$5,618,058 for the current fiscal year.
- Overall expenses were \$4,475,997 for the current fiscal year.

### Overview of the Financial Statements

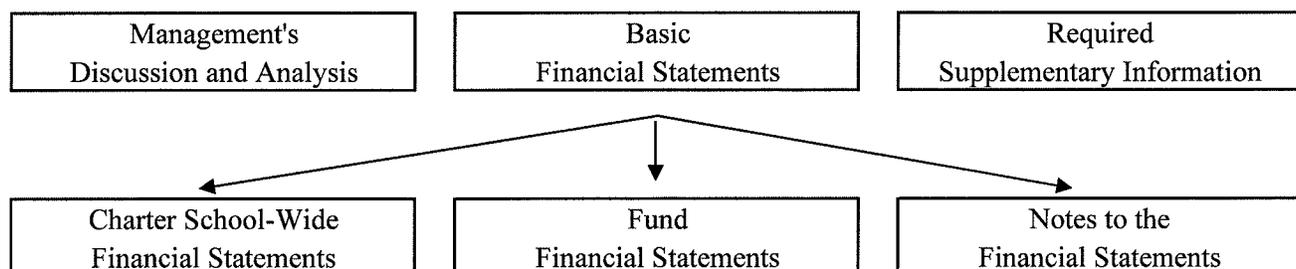
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are *Charter School-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School's operations in *more* detail than the Charter School-Wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The *proprietary funds statements* offer short- and long-term financial information about the activities the School operates like a business, such as food services. The Charter School does not report any proprietary funds.
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Charter School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

#### Organization of the International Academy of Trenton Charter School's Financial Report



**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

Figure A-2 summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Figure A-2**

***Major Features of the Charter School-wide and Fund Financial Statements***

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: food services.	Instances in which the School administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net positions</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

***Charter School-wide Statements***

The Charter School-wide statements report information about the Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Charter School's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Charter School-wide statements report the Charter School's *net position* and how they have changed. Net positions – the difference between the Charter School's assets, outflows and deferred inflows, and liabilities – is one way to measure the Charter School's financial health or *position*.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Charter School's overall health, you need to consider additional nonfinancial factors such as changes in the Charter School's property tax base and enrollment and the condition of school buildings and other facilities.

In the Charter School-wide financial statements, the School's activities are in the following category:

- *Governmental activities*: Most of the Charter School's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Charter School's funds, focusing on its most significant or "major" funds – not the Charter School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Charter School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has two kinds of funds:

- *Governmental funds*: Most of the Charter School's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

- *Proprietary funds:* Services for which the Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Charter School-wide statements. The Charter School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information (such as cash flows). *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The Charter School currently does not maintain any internal service funds.

***Fund Financial Statements***

- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School excludes these activities from the Charter School-wide financial statements because it cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the School as a Whole**

*Net Position.* The Charter School's *combined* net position was \$1,142,061 on June 30, 2015 (See Figure A-3).

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities <u>2014/15</u>	Business-Type Activities <u>2014/15</u>	Total Charter <u>2014/15</u>
Current and Other Assets	<u>\$ 1,392,522</u>	<u>\$ 37,919</u>	<u>\$ 1,430,441</u>
Total Assets	<u>1,392,522</u>	<u>37,919</u>	<u>1,430,441</u>
Other Liabilities	<u>250,461</u>	<u>37,919</u>	<u>288,380</u>
Total Liabilities	<u>250,461</u>	<u>37,919</u>	<u>288,380</u>
Net Position: Unrestricted	<u>1,142,061</u>	<u></u>	<u>1,142,061</u>
Total Net Position	<u>\$ 1,142,061</u>	<u>\$ - 0 -</u>	<u>\$ 1,142,061</u>

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

*Changes in Net Position.* The Charter School's net position for governmental activities was \$1,142,061 as of the end of the year. The entirety of the Charter School's net position was comprised of unrestricted net position primarily due to excess revenue and unexpended budget appropriations offset by fund balance used to support the 2014-2015 budget.

**Figure A-4  
Changes in Net Position from Operating Results**

	<u>Governmental Activities</u> <u>2014/15</u>	<u>Business-Type Activities</u> <u>2014/15</u>	<u>Total School District</u> <u>2014/15</u>
Revenue:			
Program Revenue:			
Charges for Services		\$ 5,542	\$ 5,542
Operating Grants and Contributions	\$ 780,517	156,910	937,427
General Revenue:			
Property Taxes	4,664,391		4,664,391
Other	10,618	80	10,698
Total Revenue	<u>5,455,526</u>	<u>162,532</u>	<u>5,618,058</u>
Expenses:			
Instruction	2,293,951		2,293,951
Pupil and Instruction Services	241,431		241,431
Administrative and Business	1,374,786		1,374,786
Maintenance and Operations	385,153		385,153
Other		180,676	180,676
Total Expenses	<u>4,295,321</u>	<u>180,676</u>	<u>4,475,997</u>
Transfers	<u>(18,144)</u>	<u>18,144</u>	
Increase/(Decrease) in Net Position	<u>\$ 1,142,061</u>	<u>\$ - 0 -</u>	<u>\$ 1,142,061</u>

*Revenue Sources.* The Charter School's total revenue for the 2014-2015 school year was \$5,618,058. (See Figure A-5). Charter School Aid (Local and State) accounted for most of the Charter School's revenue (83.02%) (See Figure A-5). Another 16.69% came from state and federal aid for specific programs, 0.10% came from charges for services in the business-type activities and the remaining 0.19% came from miscellaneous sources.

**Figure A-5  
Sources of Revenue for Fiscal Year 2015**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
Property Taxes	\$ 4,664,391	83.02%
Federal and State Categorical Grants	937,427	16.69%
Charges for Services	5,542	0.10%
Other	<u>10,698</u>	<u>0.19%</u>
Total Revenue	<u>\$ 5,618,058</u>	<u>100.00%</u>

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

*Expenses.* The total cost of all programs and services was \$4,475,997. The Charter School's expenses are predominantly related to student instruction (56.66%). (See Figure A-6). The Charter School's administrative and business expenses accounted for 30.70% of total costs. The Charter School's maintenance and operations accounted for 8.60% of total costs. The remaining 4.04% of expenses were related to interest on long-term debt and capital outlay.

**Figure A-6  
Expenses for Fiscal Year 2015**

Expense Category:	Amount	Percentage
Instruction	\$ 2,293,951	51.26%
Pupil and Instruction Services	241,431	5.40%
Administrative and Business	1,374,786	30.70%
Maintenance and Operations	385,153	8.60%
Other	180,676	4.04%
Total Expenses	\$ 4,475,997	100.00%

***Governmental Activities***

The Charter School managed to create a healthy financial position as of the end of the year through careful budgeting. Careful management of expenses is essential for the Charter School to sustain its financial health.

Figure A-7 presents the cost of five major Charter School activities: instruction, pupil and instruction services, administration and business, maintenance and operations and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs):

	Total Cost of Services 2014/15	Net Cost of Services 2014/15
Instruction	\$ 2,293,951	\$ 1,513,434
Pupil and Instruction Services	241,431	241,431
Administrative and Business	1,374,786	1,374,786
Maintenance and Operations	385,153	385,153
	\$ 4,295,321	\$ 3,514,804

- The cost of all governmental activities this year was \$4,295,321.
- A significant portion - \$4,664,391 - of the Charter School's activities was financed through amounts raised by local school district tax levies and transferred to the Charter School in the form of Charter School Aid.
- The federal and state governments subsidized certain programs with \$780,517 in grants and contributions.

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)**

**Financial Analysis of the Charter School's Funds**

The fiscal year ending June 30, 2015 was the first year of operations for the Charter School. The Charter School's net position was \$1,142,061 as of June 30, 2015.

**General Fund Budgetary Highlights**

Over the course of the year, the Charter School revised the annual operating budget several times. These budget amendments represented changes made between budgetary line items for changes in school-based needs for programs, supplies and equipment.

**Capital Asset and Debt Administration**

*Capital Assets*

At year-end, The Charter School had no capital assets.

*Long-term Liabilities*

At year-end, the Charter School had no outstanding long-term liabilities.

**Factors Bearing on the Charter School's Future**

At this time these financial statements were prepared and audited, the International Academy of Trenton Charter School was aware of existing circumstances that could significantly affect its financial health in the future:

- The School will be expanding one grade per year until the school serves a K-12 student population. The initial school year served K-3 with a student population of 354. In the immediate future, the school will add grade 4 (96 students) in the 2015-2016 school year, grade 5 (27 in Kindergarten, 96 in Grade 5) in the 2016-2017 school year, and grade 6 (29 in Grade, 196 in Grade 6) in the 2017-2018 school year. Increased revenue will offset the additional expenses necessary to serve the additional students.
- The School is currently leasing a facility and is under contract to construct a new school which is projected to serve the student population in the 2016-2017 school year.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide the Charter School's citizens, taxpayers, customers and investors and creditors with a general overview of the School's finances and to demonstrate the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact School Business Office LLC, 10 Centre Drive, Monroe, New Jersey 08831.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

Exhibit A-1

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,359,426		\$ 1,359,426
Receivables from Other Governments:			
Federal	32,655	\$ 27,946	60,601
State	441	454	895
Internal Balances	<u>(9,519)</u>	<u>9,519</u>	
Total Assets	<u>1,383,003</u>	<u>37,919</u>	<u>1,420,922</u>
<b>LIABILITIES</b>			
Accounts Payable - Vendors	173,014	37,919	210,933
Payable to State Government	44,201		44,201
Unearned Revenue	<u>23,727</u>		<u>23,727</u>
Total Liabilities	<u>240,942</u>	<u>37,919</u>	<u>278,861</u>
<b>NET POSITION</b>			
Unrestricted	<u>1,142,061</u>		<u>1,142,061</u>
Total Net Position	<u>\$ 1,142,061</u>	<u>\$ - 0 -</u>	<u>\$ 1,142,061</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 2,044,330		\$ 622,668	\$ (1,421,662)		\$ (1,421,662)
Special Education	249,621		157,849	(91,772)		(91,772)
Support Services:						
Student & Instruction Related Services	241,431			(241,431)		(241,431)
General Administrative Services	423,654			(423,654)		(423,654)
School Administrative Services	308,978			(308,978)		(308,978)
Central Services	642,154			(642,154)		(642,154)
Plant Operations and Maintenance	385,153			(385,153)		(385,153)
Total Governmental Activities	4,295,321		780,517	(3,514,804)		(3,514,804)
Business-Type Activities:						
Food Service	\$ 180,676	\$ 5,542	\$ 156,910		\$ (18,224)	\$ (18,224)
Total Business-Type Activities	180,676	5,542	156,910		(18,224)	(18,224)
Total Primary Government	\$ 4,475,997	\$ 5,542	\$ 937,427	\$ (3,514,804)	(18,224)	(3,533,028)

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
		General Revenue and Transfers:				
		Taxes:				
		Property Taxes, Levied for General Purposes, Net				
				\$ 4,664,391		4,664,391
		Miscellaneous Income				
				10,618	80	10,698
		Transfers				
				(18,144)	18,144	
		Total General Revenues and Transfers				
				4,656,865	18,224	4,675,089
		Change in Net Position				
				1,142,061		1,142,061
		Net Position - Beginning				
				- 0 -	- 0 -	- 0 -
		Net Position - Ending				
				\$ 1,142,061	\$ - 0 -	\$ 1,142,061

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,359,426		\$ 1,359,426
Interfund Receivable:			
Special Revenue Fund	8,928		8,928
Receivables From Other Governments:			
Federal		\$ 32,655	32,655
State	441		441
Total Assets	<u>\$ 1,368,795</u>	<u>\$ 32,655</u>	<u>\$ 1,401,450</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Accounts Payable - Vendors	\$ 173,014		\$ 173,014
Interfund Payable:			
General Fund		\$ 8,928	8,928
Food Service Fund	9,519		9,519
Payable to Other Governments:			
State	44,201		44,201
Unearned Revenue		23,727	23,727
Total Liabilities	<u>226,734</u>	<u>32,655</u>	<u>259,389</u>
<b>Fund Balances:</b>			
Assigned for:			
Year End Encumbrances	456		456
Unassigned:			
General Fund	<u>1,141,605</u>		<u>1,141,605</u>
Total Fund Balances	<u>1,142,061</u>		<u>1,142,061</u>
Total Liabilities and Fund Balances	<u>\$ 1,368,795</u>	<u>\$ 32,655</u>	<u>\$ 1,401,450</u>
Net Position of Governmental Activities (Above)			<u>\$ 1,142,061</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-2

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUE:</b>			
Local Sources:			
Charter School Aid	\$ 486,993		\$ 486,993
Miscellaneous	10,618		10,618
Total - Local Sources	497,611		497,611
State Sources	4,418,608		4,418,608
Federal Sources		\$ 539,307	539,307
Total Revenue	4,916,219	539,307	5,455,526
<b>EXPENDITURES</b>			
Current:			
Regular Instruction	1,325,613	247,296	1,572,909
Special Education Instruction	117,727	66,803	184,530
Student & Instruction Related Services	186,704		186,704
General Administrative Services	109,201	186,521	295,722
School Administrative Services	282,515		282,515
Central Services	642,154		642,154
Plant Operations and Maintenance	335,859	38,687	374,546
Employee Benefits - Allocated and Unallocated	279,135		279,135
Capital Outlay	477,106		477,106
Total Expenditures	3,756,014	539,307	4,295,321
Excess/(Deficiency) of Revenue Over/(under) Expenditures	1,160,205		1,160,205
<b>OTHER FINANCING USES</b>			
Transfer to Food Service Fund	(18,144)		(18,144)
Total Other Financing Uses	(18,144)		(18,144)
Net Change in Fund Balances	1,142,061		1,142,061
Fund Balance—July 1	-0-	-0-	-0-
Fund Balance—June 30	\$ 1,142,061	\$ -0-	\$ 1,142,061

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-3

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 1,142,061</u>
Change in Net Position - Governmental Funds (Exhibit A-2)	<u><u>\$ 1,142,061</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
 ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Intergovernmental Accounts Receivable:	
State	\$        454
Federal	27,946
Interfund Receivable - General Fund	<u>9,519</u>
Total Current Assets	<u>37,919</u>
Total Assets	<u>37,919</u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable- Vendors	<u>37,919</u>
Total Liabilities	<u>37,919</u>
 <b>NET POSITION:</b>	
Unrestricted	<u>- 0 -</u>
Total Net Position	<u><u>\$        - 0 -</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 5,542
Other Non-Reimbursable Sales	<u>80</u>
Total Operating Revenue	<u>5,622</u>
Operating Expenses:	
Cost of Sales	<u>180,676</u>
Total Operating Expenses	<u>180,676</u>
Operating (Loss)	<u>(175,054)</u>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	2,246
Federal Sources:	
National School Lunch Program	119,744
School Breakfast Program	<u>34,920</u>
Total Non-Operating Revenue	<u>156,910</u>
Change in Net Position Before Operating Transfer	(18,144)
Operating Transfer from General Fund	<u>18,144</u>
Change in Net Position After Operating Transfer	- 0 -
Net Position - Beginning of Year	<u>- 0 -</u>
Net Position - End of Year	<u><u>\$ - 0 -</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 5,622
Payments to Food Service Vendor	(152,276)
Net Cash Used for Operating Activities	<u>(146,654)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program - Received in Food Service Fund	1,792
Federal Sources:	
National School Lunch Program	95,265
School Breakfast Program	31,453
Operating Transfer from General Fund	<u>18,144</u>
Net Cash Provided by Noncapital Financing Activities	<u>146,654</u>
Net Increase in Cash and Cash Equivalents	- 0 -
Cash and Cash Equivalents, July 1	<u>- 0 -</u>
Cash and Cash Equivalents, June 30	<u>\$ - 0 -</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (175,054)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(9,519)
Increase in Accounts Payable	<u>37,919</u>
Net Cash Used for Operating Activities	<u>\$ (146,654)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 69,548
Total Assets	<u>69,548</u>
<u>LIABILITIES:</u>	
Payroll Deductions and Withholdings	68,820
Due to Student Groups	<u>728</u>
Total Liabilities	<u>69,548</u>
<u>NET POSITION</u>	<u>\$ - 0 -</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustees (the "Board") of the International Academy of Trenton Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. An Administrative Principal is appointed by the Board and is responsible for the administrative control of the Charter School.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operations of the Charter School include the International Academy of Trenton Charter School which is situated in the City of Trenton. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current period. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the Charter School's Governmental and Business-type activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between governmental and business type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business type activities are financed in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Charter School's Governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the Charter School.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the period, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among school financial reporting models.

The Charter School reports the following Governmental Funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects or debt service funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

The Charter School reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria program. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency and Student Activities Agency Funds.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements, the Proprietary and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Charter School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the period in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within sixty days after the end of the period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the Charter School's policy that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the Charter School the entire balance of aid in the amount reported to each district by the State Department of Education. The School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. Budgets are prepared using the modified accrual basis of accounting. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Trustees. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Charter of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at period-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources:</u>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 4,916,219	\$ 539,307
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 4,916,219</u>	<u>\$ 539,307</u>
<u>Uses/Outflows of Resources:</u>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 3,756,014	\$ 539,307
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 3,756,014</u>	<u>\$ 539,307</u>

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments: (Cont'd)

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as restricted, committed and/or assigned of fund balances at period-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the Charter School has received advances are reflected in the balance sheet as unearned revenue at period end.

The encumbered appropriation authority carries over into the next period. An entry will be made at the beginning of the next period to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current period end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures during the year of purchase.

K. Capital Assets:

During the Charter School's initial year of operation, a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The Charter School does not possess any infrastructure. The Charter School has reviewed capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-Wide statements are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the Fund financial statements, capital assets used in the Governmental Fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the Fund financial statements.

L. Long Term Liabilities:

In the Charter School-Wide Statement of Net Position, long-term debt and other long-term obligations are reported as liabilities in government activities. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

In the Charter School-Wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

M. Accrued Salaries and Wages:

The Charter School does not allow employees, who provide services to the Charter School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year. Therefore, there are no accrued salaries and wages for this purpose at June 30, 2015.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences:

The Charter School accounts for compensated absences as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability attributable to services already rendered and not contingent on a specific event outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused sick leave which will be paid, with certain limits, upon the employee's retirement or separation pursuant to the Charter School's policy or employee contracts.

In the Charter School-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due after one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$1,142,061 General Fund balance at June 30, 2015, \$456 is assigned for encumbrances, and \$1,141,605 is unassigned.

Q. Net Position:

The net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School did not have any deferred inflows or outflows of resources at June 30, 2015.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2015.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has \$456 of assigned resources in the General Fund at June 30, 2015 for year-end encumbrances.

S. Revenue - Exchange and Non-exchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the period in which the resources are measurable and become available. Available means the resources will be collected within the current period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the Charter School, available means within sixty days of the period end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the period when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at period-end: property taxes, interest and tuition.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Charter School classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Charter School ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investment section of this note.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Charter School to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

As of June 30, 2015, cash and cash equivalents of the Charter School consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking & Savings Accounts	<u>\$ 1,428,974</u>

During the period ended June 30, 2015, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents at June 30, 2015, was \$1,428,974 and the bank balance was \$1,508,856.

NOTE 4. CAPITAL ASSETS

The Charter School had no capital assets above the capitalization threshold of \$2,000 for the period ended June 30, 2015.

NOTE 5. LONG-TERM LIABILITIES

The Charter School had no long-term liabilities for the 18-month period ended June 30, 2015.

NOTE 6. TRANSFER TO CAPITAL OUTLAY

During the year ended June 30, 2015, the Charter School made transfers to capital outlay accounts in the amount of \$14,553 for equipment and \$196,121 for facilities and construction which did not require county superintendent approval.

NOTE 7. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in period 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School was \$-0- for 2015 as the Charter School is not yet enrolled in the Post-Retirement Benefits Plan.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age according to the relevant tier category for the employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. For PERS and TPAF, the contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Charter School contributions to PERS amounted to \$-0- for the period ended June 30, 2015 as the Charter School is not yet enrolled in the Pension Plan.

During the period ended June 30, 2015, the State of New Jersey contributed \$-0-, to the TPAF for normal pension benefits on-behalf of the Charter School as the Charter School is not yet enrolled in the Pension Plan.

NOTE 9. CONTINGENT LIABILITIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

At June 30, 2015, there were encumbrances in the amount of \$456 in the General Fund.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 10. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 11. ECONOMIC DEPENDENCY

The Charter School receives a substantial amount of its support from state, federal and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Charter School's programs and activities.

NOTE 12. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Charter School is required to remit employee withholdings to the State on a quarterly basis. All of the Charter School's claims are paid by the State.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 8,928	\$ 9,519
Special Revenue Fund		8,928
Food Service Fund	9,519	
	<u>\$ 18,447</u>	<u>\$ 18,447</u>

The interfund payable in the Special Revenue Fund is the amount of the cash deficit advanced from the General Fund while awaiting federal grant reimbursements. The interfund payable in the General Fund is the amount of cash received in General Fund for the National School Lunch and Breakfast Program not yet transferred to the Food Service Fund.

BUDGETARY COMPARISON SCHEDULES

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Revenues:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 1,073,696	(586,703)	\$ 486,993	\$ 486,993	
Miscellaneous Revenue				10,618	\$ 10,618
Total - Local Sources	<u>1,073,696</u>	<u>(586,703)</u>	<u>486,993</u>	<u>497,611</u>	<u>10,618</u>
State Sources:					
Special Education Aid - Charter School Aid	270,889	(226,391)	44,498	44,498	
Security Aid	108,624	36,657	145,281	145,281	
Non-Public Aid		51,431	51,431	51,431	
Local Levy - Charter School Aid - State Share	<u>2,725,192</u>	<u>1,452,206</u>	<u>4,177,398</u>	<u>4,177,398</u>	
Total State Sources	<u>3,104,705</u>	<u>1,313,903</u>	<u>4,418,608</u>	<u>4,418,608</u>	
Total Revenues	<u>4,178,401</u>	<u>727,200</u>	<u>4,905,601</u>	<u>4,916,219</u>	<u>10,618</u>
Expenditures:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	144,000	23,570	167,570	166,012	1,558
Grades 1-5 - Salaries of Teachers	796,083	(364,251)	431,832	429,832	2,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	45,000	29,229	74,229	74,229	
Purchased Professional/Technical Services	334,272	69,796	404,068	404,068	
Other Purchased Services		2,695	2,695	2,695	
General Supplies	145,500	(64,923)	80,577	76,730	3,847
Textbooks	191,600	(19,553)	172,047	172,047	
Miscellaneous Expenses	<u>2,000</u>	<u>(2,000)</u>			
Total Regular Programs - Instruction	<u>1,658,455</u>	<u>(325,437)</u>	<u>1,333,018</u>	<u>1,325,613</u>	<u>7,405</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 100,000	\$ (4,582)	\$ 95,418	\$ 95,418	
Other Salaries for Instruction	68,000	(45,991)	22,009	22,009	
Other Purchased Services		421	421	300	\$ 121
Total Resource Room/Resource Center	<u>168,000</u>	<u>(50,152)</u>	<u>117,848</u>	<u>117,727</u>	<u>121</u>
Total Special Education Instruction	<u>168,000</u>	<u>(50,152)</u>	<u>117,848</u>	<u>117,727</u>	<u>121</u>
 Total Instruction	 <u>1,826,455</u>	 <u>(375,589)</u>	 <u>1,450,866</u>	 <u>1,443,340</u>	 <u>7,526</u>
Undistributed Expenditures:					
Health Services:					
Salaries	61,442	(5,974)	55,468	55,468	
Purchased Professional/Technincal Services		1,000	1,000	1,000	
Supplies and Materials	2,000	3,961	5,961	5,961	
Total Health Services	<u>63,442</u>	<u>(1,013)</u>	<u>62,429</u>	<u>62,429</u>	
Other Support Services:					
Salaries of Other Professional Staff		74,727	74,727	74,727	
Purchased Professional /Technical Services	35,000	14,548	49,548	49,548	
Total Other Support Services	<u>35,000</u>	<u>89,275</u>	<u>124,275</u>	<u>124,275</u>	

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
General Administration:					
Legal Services	\$ 15,000	\$ 7,561	\$ 22,561	\$ 22,561	
Audit Fees	15,000		15,000		\$ 15,000
Communications/Telephone	34,300	(20,250)	14,050	12,742	1,308
BOE Other Purchased Services	1,500	18,903	20,403	17,870	2,533
Supplies and Materials	29,350	(12,116)	17,234	17,234	
Miscellaneous Expenditures	5,000	29,104	34,104	33,966	138
BOE Membership Dues and Fees	15,000	(10,172)	4,828	4,828	
Total Support Services - General Administration	<u>115,150</u>	<u>13,030</u>	<u>128,180</u>	<u>109,201</u>	<u>18,979</u>
School Administration:					
Salaries of Principals/Assistant Principals	138,778	62,191	200,969	200,969	
Salaries of Secretarial and Clerical Assistants	132,892	(46,710)	86,182	80,696	5,486
Other Objects		850	850	850	
School Administration	<u>271,670</u>	<u>16,331</u>	<u>288,001</u>	<u>282,515</u>	<u>5,486</u>
Central Services:					
Salaries	179,278	(54,305)	124,973	124,973	
Purchased Professional and Technical Services	298,606	151,507	450,113	450,113	
Miscellaneous Expenditures	56,000	14,719	70,719	67,068	3,651
Central Services	<u>533,884</u>	<u>111,921</u>	<u>645,805</u>	<u>642,154</u>	<u>3,651</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 60,000	\$ (9,911)	\$ 50,089	\$ 50,089	
Purchased Professional and Technical Services	49,000	14,982	63,982	63,982	
Cleaning, Repair and Maintenance Services		40,947	40,947	38,594	\$ 2,353
Rental of Land & Building	287,500	(223,800)	63,700	63,700	
Other Purchased Property Services		8,628	8,628	8,628	
Insurance	24,000	7,146	31,146	31,146	
General Supplies	28,200	(14,546)	13,654	13,654	
Energy (Natural Gas)		29,201	29,201	29,201	
Energy (Electricity)	54,800	(37,213)	17,587	10,477	7,110
Total Custodial Services	<u>503,500</u>	<u>(184,566)</u>	<u>318,934</u>	<u>309,471</u>	<u>9,463</u>
Security:					
Purchased Professional and Technical Services		29,834	29,834	26,388	3,446
Total Security		<u>29,834</u>	<u>29,834</u>	<u>26,388</u>	<u>3,446</u>
Unallocated Employee Benefits:					
Group Insurance		2,868	2,868	2,008	860
Social Security Contributions	108,127	6,788	114,915	114,915	
Unemployment Compensation	15,827	25,643	41,470	41,470	
Workmen's Compensation		45,039	45,039	45,039	
Health Benefits	116,496	(9,037)	107,459	75,703	31,756
Total Unallocated Benefits	<u>240,450</u>	<u>71,301</u>	<u>311,751</u>	<u>279,135</u>	<u>32,616</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Expenditures:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Equipment:					
Instructional Equipment	\$ 92,000	\$ 11,263	\$ 103,263	\$ 61,787	\$ 41,476
Non Instructional Equipment	52,100	3,290	55,390	23,061	32,329
Total Equipment	<u>144,100</u>	<u>14,553</u>	<u>158,653</u>	<u>84,848</u>	<u>73,805</u>
Facilities Acquisition and Construction:					
Construction Services	335,000	196,121	531,121	392,258	138,863
Total Facilities and Construction	<u>335,000</u>	<u>196,121</u>	<u>531,121</u>	<u>392,258</u>	<u>138,863</u>
Total Capital Outlay	<u>479,100</u>	<u>210,674</u>	<u>689,774</u>	<u>477,106</u>	<u>212,668</u>
Total Expenditures	<u>4,068,651</u>	<u>(18,802)</u>	<u>4,049,849</u>	<u>3,756,014</u>	<u>293,835</u>
Excess of Revenues Over Expenditures	<u>109,750</u>	<u>746,002</u>	<u>855,752</u>	<u>1,160,205</u>	<u>304,453</u>
Other Financing Uses:					
Operating Transfer Out - Food Service Fund		(18,803)	(18,803)	(18,144)	659
Total Other Financing Uses		<u>(18,803)</u>	<u>(18,803)</u>	<u>(18,144)</u>	<u>659</u>
Excess of Revenues Over Expenditures and Other Financing Uses	109,750	727,199	836,949	1,142,061	305,112
Fund Balance, July 1	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, June 30	<u>\$ 109,750</u>	<u>\$ 727,199</u>	<u>\$ 836,949</u>	<u>\$ 1,142,061</u>	<u>\$ 305,112</u>
Assigned - For Encumbrances				\$ 456	
Unassigned				<u>1,141,605</u>	
Fund Balance per Governmental Funds GAAP/Budgetary Basis				<u>\$ 1,142,061</u>	

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Federal Sources		\$ 691,486	\$ 691,486	\$ 539,307	\$ (152,179)
Total Revenue		691,486	691,486	539,307	(152,179)
Expenditures:					
Instruction:					
Salaries of Teachers		254,098	254,098	245,878	8,220
Purchased Professional and Technical Services		18,206	18,206	14,533	3,673
General Supplies		91,917	91,917	53,688	38,229
Total Instruction		364,221	364,221	314,099	50,122
Support Services:					
Employee Benefits		32,675	32,675	32,485	190
Salaries of Other Professional Staff		2,483	2,483		2,483
Purchased Professional/Educational Services		40,000	40,000	40,000	
Purchased Professional/Technical Services		78,650	78,650	78,650	
Travel		372	372		372
Other Purchased Services		50,124	50,124	24,071	26,053
Supplies and Materials		22,461	22,461	11,315	11,146
Total Support Services		226,765	226,765	186,521	40,244
Equipment:					
Instructional Equipment		100,500	100,500	38,687	61,813
Total Equipment		100,500	100,500	38,687	61,813
Total Expenditures		691,486	691,486	539,307	152,179
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

Exhibit C-3

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISION SCHEDULE  
NOTE TO RSI  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>\$ 4,916,219</u>	<u>\$ 539,307</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 4,916,219</u>	<u>\$ 539,307</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 3,756,014</u>	<u>\$ 539,307</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 3,756,014</u>	<u>\$ 539,307</u>

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Trustees. Budgets are prepared using the modified accrual basis of accounting. The legal level budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest of (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>No Child Left Behind Title I</u>	<u>IDEA Basic</u>	<u>Charter Implementation Grant</u>	<u>Charter Planning Grant</u>	<u>Totals June 30, 2015</u>
REVENUE:					
Federal Sources	\$ 275,956	\$ 66,803	\$ 46,548	\$ 150,000	\$ 539,307
Total Revenue	<u>275,956</u>	<u>66,803</u>	<u>46,548</u>	<u>150,000</u>	<u>539,307</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	219,075	26,803			245,878
Purchased Professional and Technical Services	14,533				14,533
General Supplies	9,315		44,373		53,688
Total Instruction	<u>242,923</u>	<u>26,803</u>	<u>44,373</u>		<u>314,099</u>
Support Services:					
Employee Benefits	32,485				32,485
Purchased Professional/Educational Services		40,000			40,000
Purchased Professional and Technical Services				78,650	78,650
Other Purchased Services	548		2,175	21,348	24,071
Supplies and Materials				11,315	11,315
Total Support Services	<u>33,033</u>	<u>40,000</u>	<u>2,175</u>	<u>111,313</u>	<u>186,521</u>
Equipment:					
Instructional Equipment				38,687	38,687
Total Equipment				<u>38,687</u>	<u>38,687</u>
Total Expenditures	<u>\$ 275,956</u>	<u>\$ 66,803</u>	<u>\$ 46,548</u>	<u>\$ 150,000</u>	<u>\$ 539,307</u>

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015

ASSETS:

Current Assets:

Intergovernmental Accounts Receivable:

State \$ 454

Federal 27,946

Interfund Receivable - General Fund 9,519

Total Current Assets 37,919

Total Assets 37,919

LIABILITIES:

Current Liabilities:

Accounts Payable 37,919

Total Current Liabilities 37,919

NET POSITION:

Unrestricted - 0 -

Total Net Position \$ - 0 -

Exhibit G-2

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 5,542
Daily Sales - Non-Reimbursable Programs	<u>80</u>
Total Operating Revenue	<u>5,622</u>
Operating Expenses:	
Cost of Sales	<u>180,676</u>
Total Operating Expenses	<u>180,676</u>
Operating Loss	<u>(175,054)</u>
Non-Operating Income:	
State Sources:	
State School Lunch Program	2,246
Federal Sources:	
National School Lunch Program	119,744
School Breakfast Program	<u>34,920</u>
Total Non-Operating Income	<u>156,910</u>
Change in Net Position Before Operating Transfer	(18,144)
Operating Transfer In - General Fund	<u>18,144</u>
Change in Net Position After Operating Transfer	- 0 -
Net Position - Beginning of Year	<u>- 0 -</u>
Net Position - End of Year	<u><u>\$ - 0 -</u></u>

Exhibit G-3

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 5,622
Payments to Food Service Contractor	<u>(152,276)</u>
Net Cash Used for Operating Activities	<u>(146,654)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program - Received in Food Service Fund	1,792
Federal Sources:	
National School Lunch Program	95,265
National School Breakfast Program	31,453
Operating Transfer from General Fund	<u>18,144</u>
Net Cash Provided by Noncapital Financing Activities	<u>146,654</u>
Net Increase in Cash and Cash Equivalents	- 0 -
Cash and Cash Equivalents, July 1	<u>- 0 -</u>
Cash and Cash Equivalents, June 30	<u><u>\$ - 0 -</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (175,054)
Adjustment to Reconcile Operating Loss to Cash Net Used for Operating Activities:	
(Increase) in Interfund Receivable	(9,519)
Increase in Accounts Payable	<u>37,919</u>
Net Cash Used for Operating Activities	<u><u>\$ (146,654)</u></u>

FIDUCIARY FUNDS

Exhibit H-1

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Student</u> <u>Activities</u>	<u>Agency</u> <u>Payroll</u> <u>Agency</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 728	\$ 68,820	\$ 69,548
Total Assets	<u>728</u>	<u>68,820</u>	<u>69,548</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings Due to Student Groups	728	68,820	68,820
Total Liabilities	<u>\$ 728</u>	<u>\$ 68,820</u>	<u>\$ 69,548</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

NOT APPLICABLE

Exhibit H-3

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents		\$ 728		\$ 728
Total Assets	\$ - 0 -	\$ 728	\$ - 0 -	\$ 728
 <u>LIABILITIES:</u>				
Due to Student Groups		\$ 728		\$ 728
Total Liabilities	\$ - 0 -	\$ 728	\$ - 0 -	\$ 728

Exhibit H-4

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
International Academy of Trenton Charter School	<u>                    </u>	<u>\$          728</u>	<u>                    </u>	<u>\$          728</u>
	<u>\$          - 0 -</u>	<u>\$          728</u>	<u>\$          - 0 -</u>	<u>\$          728</u>

Exhibit H-5

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	_____	\$ 1,789,399	\$ 1,720,579	\$ 68,820
Total Assets	<u>\$ - 0 -</u>	<u>\$ 1,789,399</u>	<u>\$ 1,720,579</u>	<u>\$ 68,820</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	_____	\$ 1,789,399	1,720,579	\$ 68,820
Total Liabilities	<u>\$ - 0 -</u>	<u>\$ 1,789,399</u>	<u>\$ 1,720,579</u>	<u>\$ 68,820</u>

LONG-TERM DEBT  
(NOT APPLICABLE)

STATISTICAL SECTION

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the Charter School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Charter School's overall financial health.

**Financial Trends**

These schedules contain trend information to help the reader understand how the Charter School's financial performance and well-being have changed over time. J-1 thru J-5

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Charter School's ability to generate its property taxes. J-6 thru J-9

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the Charter School's current levels of outstanding debt and the School's ability to issue additional debt in the future. J-10 thru J-13

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Charter School's financial activities take place and to help make comparisons over time and with other governments. J-14 thru J-15

**Operating Information**

These schedules contain information about the Charter School's operations and resources to help the reader understand how the Charter School's financial information relates to the services the Charter School provides and the activities it performs. J-16 thru J-21

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Exhibit J-1

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NET POSITION BY COMPONENT  
LAST FISCAL YEAR  
(UNAUDITED)  
(Accrual Basis of Accounting)

	<u>June 30,</u> <u>2015</u>
Governmental Activities:	
Unrestricted	<u>\$ 1,142,061</u>
Total Governmental Activities Net Position	<u><u>\$ 1,142,061</u></u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

Exhibit J-2

1 of 2

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION

LAST FISCAL YEAR

(UNAUDITED)

*(Accrual Basis of Accounting)*

	18-Month Period Ended June 30, <u>2015</u>
Expenses:	
Governmental Activities:	
Instruction:	
Regular	\$ 2,044,330
Special Education	249,621
Support Services:	
Student & Instruction Related Services	241,431
General Administration Services	423,654
School Administration Services	308,978
Central Services	642,154
Plant Operations And Maintenance	<u>385,153</u>
Total Governmental Activities Expenses	<u>4,295,321</u>
Business-Type Activities:	
Food Service Program	<u>180,676</u>
Total Business-Type Activities Expenses	<u>180,676</u>
Total Charter School-Wide Expenses	<u>4,475,997</u>
Program Revenues:	
Governmental Activities:	
Operating Grants and Contributions	<u>780,517</u>
Total Governmental Activities Program Revenues	<u>780,517</u>
Business-Type Activities:	
Charges for Services	5,542
Operating Grants and Contributions	<u>156,910</u>
Total Business-Type Activities Program Revenues	<u>162,452</u>
Total Charter School-Wide Program Revenues	<u>942,969</u>
Net (Expenses)/Revenue	
Governmental Activities	(3,514,804)
Business-Type Activities	<u>(18,224)</u>
Total Charter School-Wide Net (Expenses)/Revenue	<u>(3,514,804)</u>

Exhibit J-2  
2 of 2

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
CHANGES IN NET POSITION  
LAST FISCAL YEAR  
(UNAUDITED)  
*(Accrual Basis of Accounting)*

	18-Month Period Ended June 30, <u>2015</u>
General Revenues and Other Changes in Net Position:	
Governmental Activities:	
Local Property Taxes - Charter School Aid	\$ 4,664,391
Miscellaneous Income	10,618
Transfers	<u>(18,144)</u>
 Total Governmental Activities General Revenues & Other Changes	 <u>4,656,865</u>
Business-Type Activities:	
Investment Earnings	80
Transfers	<u>18,144</u>
 Total Business-Type Activities General Revenues & Other Changes	 <u>18,224</u>
 Total Charter School-Wide General Revenues & Other Changes in Net Position	 <u>4,675,089</u>
 Change in Net Position:	
Governmental Activities	1,142,061
Business-Type Activities	<u>- 0 -</u>
 Total Charter School-Wide Change in Net Position	 <u><u>\$ 1,142,061</u></u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

Exhibit J-3

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST FISCAL YEAR  
 (UNAUDITED)  
*(Modified Accrual Basis of Accounting)*

	June 30, 2015
General Fund:	
Assigned	\$ 456
Unassigned	1,141,605
Total General Fund	1,142,061
Total Governmental Funds	\$ 1,142,061

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

Exhibit J-4

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST FISCAL YEAR

(UNAUDITED)

*(Modified Accrual Basis of Accounting)*

	18-Month Period Ended June 30, <u>2015</u>
Revenues:	
Local Tax Levy	\$ 486,993
Miscellaneous	10,618
State Sources	4,418,608
Federal Sources	539,307
Total Revenue	<u>5,455,526</u>
Expenditures:	
Instruction:	
Regular Instruction	1,572,909
Special Education Instruction	184,530
Support Services and Undistributed Costs:	
Student & Instruction Related Services	186,704
General Administration Services	295,722
School Administration Services	282,515
Central Services	642,154
Plant Operations And Maintenance	374,546
Benefits - Allocated and Unallocated	279,135
Capital Outlay	477,106
Total Expenditures	<u>4,295,321</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,160,205</u>
Other Financing Uses:	
Operating Transfer to Food Service Fund	<u>(18,144)</u>
Net Change In Fund Balances	<u>\$ 1,142,061</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>0.00%</u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

Exhibit J-5

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST FISCAL YEAR  
 (UNAUDITED)  
 (Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30,	Interest on Investments	Local Levy - Charter School Aid	Other	Total
2015	\$ 4	\$ 486,993	\$ 10,614	\$ 497,611

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

Exhibit J-14

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
(UNAUDITED)

Year	Mercer County Population <sup>a</sup>	Mercer County Per Capita Personal Income <sup>b</sup>	Mercer County Personal Income <sup>c</sup>	Mercer County Unemployment Rate <sup>d</sup>
2006	362,813	\$ 50,199	\$ 18,212,849,787	9.10%
2007	363,402	51,987	18,892,179,774	7.90%
2008	364,571	52,521	19,147,633,491	9.90%
2009	366,222	50,991	18,674,026,002	12.10%
2010	368,043	51,706	19,030,031,358	9.60%
2011	367,941	53,037	19,514,486,817	13.10%
2012	369,057	55,933	20,642,465,181	12.80%
2013	371,052	56,906	21,115,085,112	12.60%
2014	371,537	56,906 **	21,142,684,522 **	10.90%
2015	371,537 *	56,906 **	21,142,684,522 **	N/A

N/A - Information is not available.

\* - Latest Mercer County population (2014) available was used for calculation purposes.

\*\* - Latest Mercer County per capita personal income available (2013) was used for calculation purposes.

Sources:

- <sup>a</sup> Population information provided by the NJ Department of Labor and Workforce Development
- <sup>b</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- <sup>c</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.
- <sup>d</sup> Unemployment data provided by the NJ Department of Labor and Workforce Development

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
PRINCIPAL EMPLOYERS - MERCER COUNTY  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

2014			2005		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
State of New Jersey	22,000	66.98%	State of New Jersey	21,000	65.33%
Capital Health Systems	3,300	10.05%	Helene Fuld Center	3,000	9.33%
Trenton School System	2,400	7.31%	Trenton School System	1,897	5.90%
City of Trenton	1,100	3.35%	City of Trenton	1,700	5.29%
County of Mercer	1,811	5.51%	County of Mercer	1,625	5.06%
St. Francis Medical Center	1,250	3.81%	St. Francis Medical Center	1,250	3.89%
The Hibbert Company	305	0.93%	The Trenton Times	750	2.33%
Mercer Arc Unit	230	0.70%	The Hibbert Company	353	1.10%
Water's Edge Convalescent Center	221	0.67%	Mercer Street Friend Center	340	1.06%
Mercer Street Friend Center	230	0.70%	Water's Edge Convalescent Center	230	0.72%
	<u>32,847</u>	<u>100.00%</u>		<u>32,145</u>	<u>100.00%</u>
Total Employment - Mercer County	<u>75,932</u>		Total Employment - Mercer County	<u>77,178</u>	

Source: Mercer County, Department of Administration and Finance.

Exhibit J-16

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST FISCAL YEAR  
(UNAUDITED)

<u>Function/Program</u>	<u>2015</u>
Instruction:	
Regular	19.0
Other Instruction	11.0
Support Services:	
General Administration Services	2.0
School Administration Services	4.0
Central Services	1.0
Administrative Information Technology	1.0
Plant Operations and Maintenance	2.0
Total	<u><u>40.0</u></u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Business Office.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
OPERATING STATISTICS  
LAST FISCAL YEAR  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil<sup>b</sup></u>	<u>Percent Change</u>	<u>Teaching Staff<sup>c</sup></u>	<u>Pupil/Teacher Ratio Elem.</u>	<u>Average Daily Enrollment (ADE)<sup>d</sup></u>	<u>Average Daily Attendance (ADA)<sup>d</sup></u>	<u>% Change Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2015	353.0	\$ 3,818,215	\$ 10,816	100.00%	19.0	18.6	353.0	325.6	N/A	92.24%

Note: Enrollment is based on the annual October District count.

- <sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.
- <sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculations.
- <sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.
- <sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A - Not Applicable

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Business Office.

Exhibit J-18

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHOOL BUILDING INFORMATION  
LAST FISCAL YEAR  
(UNAUDITED)

<u>District Building</u>	<u>2015</u>
International Academy of Trenton	
Square Feet	27,900
Capacity (Students)	400
Enrollment	353

Number of Schools at June 30, 2015:

Other = 1

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Note: Enrollment is based on the annual October District count.

Source: International Academy of Trenton Charter School Business Office.

Exhibit J-19

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST FISCAL YEAR  
(UNAUDITED)

Undistributed Expenditures - Required Maintenance for School Facilities\*  
(Account #11-000-261-XXX)

Fiscal Year Ended June 30	International Academy of Trenton	Total School Facilities
2015	\$ 38,594	\$ 38,594

\* - School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26-1.3).

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School records.

Exhibit J-20

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
INSURANCE SCHEDULE  
JUNE 30, 2015  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Wells Fargo:		
Property:		
Building - Each Occurrence	\$ 4,991,751	\$ 5,000
Data Breach - Each Occurrence	10,000	1,000
Emergency Event - Each Occurrence	30,000	
Emergency Breakdown - Each Occurrence	100,000	
Gold Property Endorsement - Each Occurrence	2,000,000	500
General Liability		
Each Occurrence	3,000,000	
Employee Benefits Liability:		
Each Occurrence	3,000,000	1,000
School and Educators Legal Liability:		
Each Occurrence	3,000,000	5,000
Business Automobile:		
Each Occurrence	1,000,000	500
Crime Bond:		
Each Occurrence	500,000	5,000
Worker's Compensation:		
Each Occurrence	500,000	
Public Official Bond - Hanover Insurance Company		
School Business Administrator	175,000	

Source: International Academy of Trenton Charter School Business Office.

Exhibit J-21

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
FINANCIAL PERFORMANCE  
JUNE 30, 2015  
(UNAUDITED)

	<u>2015</u>	
Cash	\$ 1,359,426	
Current Assets	88,265	
Total Assets	<u>1,447,691</u>	
Current Liabilities	<u>305,630</u>	
Total Liabilities	<u>305,630</u>	
Net Position	<u>\$ 1,142,061</u>	
Total Revenue	\$ 5,618,058	
Total Expenses	<u>4,475,997</u>	
Change in Net Position	<u>\$ 1,142,061</u>	
Final Average Daily Enrollment	353	
March 30th Budgeted Enrollment	353	
	<u>2015</u>	<u>1 Year Cumulative</u>
Near Term Indicators:		
Current Ratio	29%	29%
Unrestricted Days Cash	\$ 342.75	\$ 342.75
Enrollment Variance	N/A	N/A
Default	No	No
Sustainability Indicators:		
Total Margin	20%	20%
Debt to Asset	21%	21%
Cash Flow	0%	0%
Debt Service Coverage Ratio	N/A	N/A

Source: International Academy of Trenton Charter School records.

SINGLE AUDIT SECTION



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Report on Internal Control over Financial Reporting and on Compliance  
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
 Government Auditing Standards

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Trustees  
 International Academy of Trenton Charter School  
 County of Mercer, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the International Academy of Trenton Charter School, in the County of Mercer (the "Charter School") as of and for the period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 10, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton Charter School  
Page 2

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nisivoccia, LLP*

November 10, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*Kathryn L. Mantell*

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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Program;  
Report on Internal Control Over Compliance Required by OMB Circular A-133  
and New Jersey's OMB Circulars 04-04 and 15-08

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton  
County of Sussex, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the International Academy of Trenton Charter School's (the "Charter School's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state and federal programs for the period ended June 30, 2015. The Charter School's major state and federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major state and federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state and federal program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state and federal program. However, our audit does not provide a legal determination of the Charter School's compliance.

***Opinion on Each Major State Program***

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state and federal programs for the period ended June 30, 2015.

The Honorable President and Members  
of the Board of Trustees  
International Academy of Trenton  
Page 2

### Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major state and federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major state and federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

*Nisivoccia, LP*

NISIVOCCIA LLP

November 10, 2015  
Mount Arlington, New Jersey

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE PERIOD ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2014			Cash Received	Budgetary Expenditures	Balance, June 30, 2015					
					Budgetary					Unearned Revenue	Accounts Receivable	Due to Grantor	Unearned Revenue	Accounts Receivable	Due to Grantor
					Unearned Revenue	Accounts Receivable	Due to Grantor								
<b>Special Revenue Fund:</b>															
US Department of Education Passed-through State of New Jersey Department of Education Special Education Cluster:															
IDEA- B, Basic	84.027	IDEA6182-15	7/1/14-6/30/15	\$ 66,803				\$ 66,803	\$ (66,803)						
Total Special Education Cluster								66,803	(66,803)						
<b>No Child Left Behind:</b>															
Title I - Part A	84.010A	NCLB6182-15	7/1/14-6/30/15	297,010				297,010	(275,956)	\$ 21,054					
Title II - Part A	84.367A	NCLB6182-15	7/1/14-6/30/15	2,673				2,673		2,673					
Charter Planning Grant	84.282	N/A	1/15/14-9/15/14	150,000				150,000	(150,000)						
Charter Implementation Grant	84.282	N/A	11/1/14-2/28/16	175,000				13,893	(46,548)		\$ (32,655)				
Total Special Revenue Fund								530,379	(539,307)	23,727	(32,655)				
<b>Enterprise Fund:</b>															
U.S. Department of Agriculture Passed-through State Department of Agriculture: Child Nutrition Cluster:															
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	34,920				31,453	(34,920)		(3,467)				
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	119,744				95,265	(119,744)		(24,479)				
Total Enterprise Fund								126,718	(154,664)		(27,946)				
Total Federal Awards					\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 657,097	\$ (693,971)	\$ 23,727	\$ (60,601)	\$ - 0 -			

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE PERIOD ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	June 30, 2014		Cash Received	Budgetary Expenditures	June 30, 2015		MEMO	
				(Accounts Receivable)	Due to Grantor			GAAP Receivable	Unearned Revenue	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:											
General Fund:											
Local Levy - State Share	15-495-034-6182-003	7/01/14-6/30/15	\$4,177,398			\$4,177,398	\$(4,177,398)				\$4,177,398
Special Education Aid	15-495-034-6182-011	7/01/14-6/30/15	44,498			44,498	(44,498)				44,498
Security Aid	15-495-034-6182-078	7/01/14-6/30/15	145,281			144,840	(145,281)	\$ (441)		\$ (441)	145,281
Other Categorical Aid:											
Nonpublic Aid	15-999-999-9999-960	7/01/14-6/30/15	51,431			51,431	(51,431)				51,431
Total General Fund						4,418,167	(4,418,608)	(441)		(441)	4,418,608
Enterprise Fund:											
State School Lunch Progr	15-100-010-6182-023	7/01/14-6/30/15	2,246			1,792	(2,246)	(454)		(454)	2,246
Total Enterprise Fund						1,792	(2,246)	(454)		(454)	2,246
Total State Awards				\$ - 0 -	\$ - 0 -	\$4,419,959	\$(4,420,854)	\$ (895)	\$ - 0 -	\$ (895)	\$4,420,854

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards include federal and state grant activity of the Board of Trustees, International Academy of Trenton Charter School under programs of the federal and state governments for the period ended June 30, 2015. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported in the accompanying Schedules of Expenditures of Federal and State Awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Charter School's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis.

The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is \$-0- for the General and Special Revenue Funds. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,418,608	\$ 4,418,608
Special Revenue Fund	\$ 539,307		539,307
Enterprise Fund	154,664	2,246	156,910
	<u>\$ 693,971</u>	<u>\$ 4,420,854</u>	<u>\$ 5,114,825</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Charter School.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the Charter School which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state and federal programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state and federal programs for the Charter School expresses an unmodified opinion on its major state and federal programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The Charter School's major federal and state programs for the current period consisted of the following State aid:

Program Title	State Grant Number/ C.F.D.A. Number	Grant Period	Award Amount	Budgetary Expenditures
State:				
Local Tax Levy - State Share	15-495-034-6182-003	7/1/14-6/30/15	\$ 4,177,398	\$ 4,177,398
Special Education Aid	15-495-034-6182-011	7/1/14-6/30/15	44,498	44,498
Security Aid	15-495-034-6182-078	7/1/14-6/30/15	145,281	145,281
Federal:				
No Child Left Behind:				
Title I - Part A	84.010A	7/1/14-6/30/15	297,010	275,956
Child Nutrition Cluster:				
National School Breakfast Program	10.553	7/1/14-6/30/15	34,920	34,920
National School Lunch Program	10.555	7/1/14-6/30/15	119,744	119,744

- The threshold used for distinguishing between Federal and State Type A and Type B programs was \$300,000.
- The Charter School was not determined to be a "low risk" auditee for Federal and State programs under the provisions of section 530 of the federal Circular.

Findings Related to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under *Generally Accepted Government Auditing Standards*.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the Federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the Federal Circular and New Jersey's OMB Circulars 04-04 and 15-08.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Status of Prior Year Findings:

This was the first year of operations for the Charter School, therefore, there were no prior year audit findings or recommendations.